

Main news

According to Brazil's Ministry of Agriculture, Livestock and Supply (MAPA), the agency was informed on Thursday, February 13th that Kuwait will start importing Brazilian beef.

Tereza Cristina, MAPA's minister said "more good news – yet another market has opened its doors to Brazilian beef: Kuwait, which we visited in September, made the announcement today".

Kuwait was one of the countries the minister visited in September last year, during Brazil's business mission to the Middle East. Currently chicken (in natura) is the Brazilian product most bought by Kuwait. In 2018, approximately 122,000 tons were imported, equivalent to US\$ 185.7 million.

Brazil also exports corn, orange juice, instant coffee, soybean meal, green coffee, chicken meat (processed), duck meat (in natura), cashew nuts and turkey meat (in natura) to Kuwait. Last year, agricultural exports to Kuwait totaled US\$ 209.4 million, equivalent to 215,463 tons.

The following table, made from DataLiner data, shows the main Brazilian products exported by sea to Kuwait in 2019 (in tons):

Poultry: 122.376,72
Corn: 36.500,00
Wood: 4.465,32
Paper & board: 3.895,77
Juices: 1.691,99
Source: DataLiner / Datamar

Ports, terminals and infrastructure

Last year, the Port of Rio de Janeiro handled 7.42 million tons of cargo, up 3.4% compared to 2018. According to data released this Friday, February 14th, by the management of Companhia Docas do Rio de Janeiro (CDRJ), the biggest increases were seen in container throughput and dry bulk, which rose 4.7% and 22.3% respectively. According to CDRJ, the two types of cargo account for about 87% of total port throughput.

The study reveals that the Port of Rio de Janeiro handled 370,257 TEU, up 6.5% compared to 2018. According to CDRJ, the majority of full container trade remained in long-haul voyages rather than in cabotage or feeder services.

Highlights - The data shows that the ICTSI Rio Terminal (International Container Terminal Services), previously Grupo Libra, moved 1.76 million tons of cargo in containers in 2019, up 13.8% compared to the previous year. The result was leveraged by a 44.57% increase in cabotage imports. ICTSI is a global port management company based in Manila, Philippines, which bought the Libra Terminal Rio last year.

CDRJ's study also highlighted the performance of Triunfo Logística terminal, which registered throughput of 2.4 million tons in 2019, an increase of 9.4% in relation to 2018. The main cargo handled by Triunfo was pig iron, at 1.4 million tons last year.

Iceport, the cold storage facility at Portonave in the Port of Navegantes, obtained Halal certification following an audit carried out during December and January. This certifies that Iceport provides its services in accordance with Islamic law, and its products can therefore be used or consumed by Muslims. Thus,

Iceport is now able to handle and transport cargo destined to countries which enforce this requirement as well as countries which do not enforce the certification requirement but where Muslim groups reside, such as some places in Mercosur and in Europe.

The qualification includes beef and poultry exports. "Halal products currently represent around 80% of the total volume stored in Iceport today. It is a market that demands higher working standards. Unqualified competitors lose this niche, which increases business opportunities for Portonave. This keeps us competitive", said Bruno Vargas, Operations and Depot supervisor at Iceport.

Halal production must abide by Islamic religious precepts at all stages of manufacture, industrialization, handling, storage and transportation. They must not contain any input or raw material that is a Haram element (prohibited by Islamic law) nor be contaminated by them during production, storage and transportation.

The Islamic market - The Arab world is one of the main destinations of Brazilian meat exports. But the Halal market is not limited to an Arab context, since most of the world's Islamic population does not live in Arab countries. The largest Islamic country is Indonesia, with about 250 million inhabitants, 90% of them Muslim. After Indonesia, the biggest Islamic countries are Bangladesh, Pakistan, Turkey, Iran and Egypt. The total Islamic population is approximately 1.6 billion, about 20% of the world's inhabitants.

Some of the Haram elements, prohibited under Islamic law, are:

- pig meat, fat, leather, bones and any derivative of pigs;
- meat, fat, leather, bones and any derivative of other animals that are allowed, but have been slaughtered outside the religious precepts of Islam (one of the rules required for slaughter, is mentioning the name of Allah during the slaughter) ;
- alcoholic beverages and ethyl alcohol;
- blood from any animal, even if slaughtered in the Halal form.

Eldorado Brasil, one of the country's largest pulp exporters, has started a partnership with CMA-CGM to take its cargo by rail to the port of Santos. The cargo, which was previously transported in trucks, is now being carried in containers by train from Jundiaí, in the interior of São Paulo, to the port of Santos. This measure will remove around 25,000 truck voyages from highways and roads every year.

With the new railway operation, the pulp cargo leaves the Eldorado Brasil plant in Três Lagoas (MS) by truck to the city of Jundiaí. There it is transferred to containers that are loaded onto trains. The railway runs all the way to the very edge of the terminal, alongside the pier, from where it is lifted onto ships for export.

Aside from eliminating the truck journeys between Jundiaí and Santos, the new transport system also reduces local traffic in Santos, which was necessary under the previous scheme, as empty and full containers had to transit between the container stuffing yard and the terminal.

According to Eldorado Brasil, aside from the environmental benefits and reduced traffic, the new route generates jobs in both cities. When the cargo arrives in Jundiaí, Contrail employees working at the railway terminal help transfer the cargo to the

trains. In Santos, staff are also hired to handle the unloading of the containers and loading on to the vessels.

It is worth remembering that the available rail options cannot meet all the Eldorado Brasil pulp exports. Therefore truck deliveries to the Eldorado / Rishis terminal, in the Outeirinhos region, in Santos, continue to take place. A team of more than 80 qualified personnel work on these deliveries.

Cargo handling in the Brazilian port sector (public ports and terminals for private use) fell by 1.6% last year compared to 2018, with a total of 1.104 billion tons handled. Over the past nine years, however, cargo handling grew by 31.5%. This information was released Thursday (13/02) by the Statistics and Performance Evaluation Department of ANTAQ. Private ports accounted for 66% of total movement last year and recorded an average annual growth (2010-2019) of 3.4%. Public ports grew by an annual average of 2.5%.

One of the points that contributed to the dip in the growth trend last year was less handling of iron ore. In 2019, 39.2 million tons less were shifted than in 2018 – a decrease of 10% to 367.8 million tons. Another factor was the drop in soybean movement by 10%. Meanwhile, handling of oil and oil products increased 11% in 2019 to 224.7 million tons. Corn grew 75% compared with 2018, to 55.7 million tons.

Ranking - Santos (SP) ranked first in volume handled, at 106.2 million tons. Second was Paranaguá (PR) with 47.5 million tons, and third placed was Itaguaí (RJ), at 43.2 million tons. The study points out that ten Brazilian ports are responsible for 85% of Brazil's total port sector movement. Regarding private terminals, Ponta da Madeira (MA) ranked first with 190.1 million tons handled. Second was Tubarão (ES), and in third place Baía da Ilha Terminal (Tebig) in Rio de Janeiro.

Navigation - In 2019, long-distance shipping transported 794.8 million tons, of which 643.4 million tons were exported and 151.4 million tons imported. In cabotage, 240.3 million tons were transported last year. Inland navigation grew 7.5% year-on-year to 65.7 million tons.

The terminals and bonded warehouses located on the Left Bank (Guarujá) of the Port of Santos increased their collection of Services Tax (ISS) by 13.3% in 2019 compared to 2018. The organizations were responsible for the generation of R\$ 95.3 million in taxes for the city, compared to R\$ 84.1 million in 2018.

There are 10 port terminals and eight bonded warehouses in Guarujá, in addition to companies that provide logistical services. In volume, port terminals are largely responsible for the positive result, rising from R\$ 82.2 million in revenues to R\$ 91.5 million. However, the great growth of the retroport terminals is noteworthy.

Although they are not as representative in the general collection of the Municipality as the giant port terminals, the retroport terminals showed an excellent performance in Guarujá in the comparison of 2018 with 2019.

Tax collection by retroport operators grew by no more than 102.5% in the period, from R\$ 1.8 million to R\$ 3.8 million. A highlight does for Localrio S/A, which jumped from R\$ 123.1 thousand to R\$ 526.2 thousand.

Shipping

Carrier Hyundai Merchant Marine (HMM) should receive, in early May, the largest container ship in the world, HMM Algeciras, the first in a fleet of seven ships.

The vessel is being built by Daewoo Shipbuilding & Marine Engineering and will have a capacity of 23,964 TEU, 208 TEU more than the MSC Gulsun, which is currently the largest container ship in the world.

The vessel will be 400 meters long and hold 24 rows of containers across its width. HMM will join the Alliance's FEA4 service between Asia and North Europe on April 1st and the HMM Algeciras will be part of that service.

A study developed by ANTAQ's Development and Studies Office, part of the entity's Superintendence of Performance, Development and Sustainability, sought to find ways to increase the short-term supply of container ships engaged in cabotage transport. ANTAQ, the National Waterway Transport Agency, would like to make it more flexible for vessels to be made available to meet fluctuations in demand.

The fleet utilization of the vessels that operate in coastal shipping reached 76.2% in August 2018.

One of the alternatives is to permit time charters, as long as there is a minimum duration stipulated and the Vessel Release Certificate – CLE is issued, along the lines of what already happens in long-term agreements.

It is worth noting that Brazilian Law does not prohibit this type of chartering, but does require foreign vessels to prove that there is an absence or availability of a Brazilian flagged vessel to provide the operation.

The study also argues that one of the advantages of this regulatory option, is the implementation can be done via the Agency's resolution, making its implementation and monitoring more agile and flexible.

When the MSC Avni calls at Valparaíso's Terminal Pacífico Sur on February 11, it will mark the return of MSC's NWC – USA – SAWC service to the terminal. The service will call there twice a week.

This service links northern Europe to the east coast of the United States and from there to the west coast of South America, via the Panama Canal. It was created in mid-2016, as a union of two MSC services but had stopped calling at Valparaíso in mid-2018. In November last year, MSC had already reinstated the northbound service and, now, as of this Tuesday, the service is fully reinstated.

Grain

A survey of Brazil's agribusiness trade position showed exports reached US\$5.8 billion in January, down 9.4% compared to January 2019. The survey was prepared by the Secretariat for Trade and International Relations (SCRI) part of Brazil's Ministry of Agriculture, Livestock and Supply (Mapa) and was released on Thursday, February 13th. Agribusiness goods accounted for 40.4% of all Brazilian exports. Imports totaled US\$ 1.2 billion, down -1.6% compared to January last year. The trade surplus was therefore US\$ 4.6 billion.

According to the agency, prices of agribusiness products exported dropped 7.4%, and that was the main reason for the drop in foreign sales during January. There was also a decrease in the quantity sold abroad, which fell by 2.2% compared to January 2019.

Exports of meat (beef, pork and chicken), sugar and cotton, helped partially offset the drop in soy products – grains, bran and oil (-31%) and in forest products – pulp, paper, wood and its works (-33.8%).

Meat - Meat accounted for 23.2% of the total exported and reached US\$ 1.35 billion (30.9%). Beef was the main meat exported, reaching US\$ 631.5 million (+ 38.1%). Record figures were registered in January, both in terms of value and of volume (135.3 thousand tons).

Pork exports also performed well, rising 79.9% in value (US\$ 163.30 million) reaching 67.7 thousand tons (42%). Chicken totaled US\$ 522.0 million, up 17%.

Sugar - Sugar exports rose 55.8%, to US\$ 470.25 million, with volumes at 1.6 million tons (50.4%). This is still much lower than the January sales record, which occurred in 2015, when Brazil exported 2.4 million tons, according to the Secretariat's note.

Cotton - Record exports of non-carded and combed cotton placed fibers and textile products in fifth position among the main agribusiness export products. Exports rose 144.2%, to US\$ 484.80 million with volume at 308.8 thousand tons. This represents a 168.1% increase.

The results of the fifth survey of the 2019/20 harvest prepared by Brazil's National Supply Company (Conab) were released on February 11th. Soybean and corn crops are expected to drive grain production to another historical record, estimated at 251.1 million tons, 3.8% higher than the previous harvest, equivalent to an additional 9.1 million tons.

An increase of 2.5% is expected in the overall planted area, reaching around 64.8 million hectares, an additional 1.6 million ha. The forecast predicts good weather conditions favoring crop recovery, after last season's drought. First crops account for 45.6 thousand hectares, while the second, third and winter crops account for 19.3 thousand hectares.

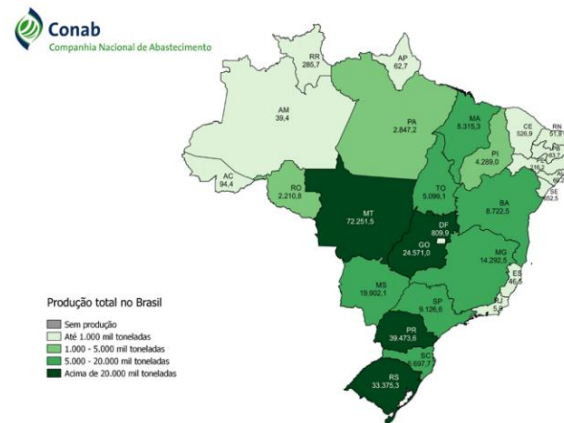
Soy crops, which occupy a 2.6% larger area, have seen good harvesting productivity, in keeping with recent seasons' observed growth. Estimated production stands at 123.2 million tons, which represents a new record and is partly a result of improved rainfall distribution.

Production of first, second and third crop maize should reach something close to 100 million tons, a 0.4% increase. The first corn crop area estimate is 4.25 million hectares, 3.4% higher than the 2018/19 crop.

Cotton is expected to see a 5.3% increase in planted area, reaching around 1.7 million hectares. Production is also expected to set a new record, reaching 2.82 million tons of plume. The cotton seeds are expected to reach 4.23 million tons, 1.6% growth compared to the previous harvest.

Rice production also benefited from climate, including in the Rio Grande do Sul crops, where more than 80% of national consumption occurs. The crop increased 0.6% to a production of 10.51 million tons. The first crop of beans fell 0.1% in planted area, down to 921.4 thousand hectares, but rose 9.4% in production on the back of productivity gains. Production is expected to exceed 1 million tons. The second crop, which is just beginning to be cultivated, should occupy the same area as the previous crop of 1.4 million hectares.

Below is the total production in Brazil (in thousand tons):



Meat

Beef exports by the four Mercosur member countries increased 17% in 2019, reaching 2,704 thousand tons of product. Argentina saw the highest growth rates out of all member countries.

Argentine beef exports in 2019 set a new all-time record, reaching exports of 566,272 tons, double the volumes shipped in the previous year. When translating this volume to "meat on the bone", as usually done by Argentina's Ministry of Agriculture, Livestock and Fisheries, it becomes approximately 840 thousand tons, which compares with the 557 thousand exported the previous year.

Brazil, the bloc's largest exporter, registered exports of 1,561 thousand tons in 2019, a 16% rise compared to the previous year. Uruguay's performance remained practically unchanged in relation to the previous year (325,846 tons) while Paraguay saw its meat exports fall 8% year on year, ending 2019 on 248,899 tons.

Paraguay's retraction is explained by the fact that it is the only country in the bloc that does not have authorization to sell to China.

Globally, the Mercosur are the largest supplier of beef, accounting for almost a quarter of global exports, followed by Australia (16%) and the USA (12%). Mercosur's share of world beef exports has been showing sustained growth over the past 5 years, from 18% in 2015 to 24% in 2019.

Sugar & ethanol

Indonesia, the world's largest importer of raw sugar, is once again buying Brazilian sugar. That's because the worst drought in decades has reduced Thailand's crop, prompting Indonesia to look for a new supplier.

According to Alvean, a joint venture between Cargill and Copersucar, and the largest sugar trading company in the world, the company should load a ship in Brazil, this week, with at least 60 thousand tons of raw sugar to Indonesia.

The sale takes place almost two years after the last export of raw sugar from Brazil to Indonesia and comes on the back of forecasts that the Thailand harvest will drop at least 30%. In addition, supplies from the second largest exporter in the world are so expensive today that Indonesia prefers to buy from Brazil despite the higher import tariff.

According to DataLiner, Datamar's foreign trade data solution, Brazil exported around 16 million tons of sugar in 2019. The following table, based on data from DataLiner, shows the top five destinations for Brazilian sugar in 2019 :

Top five Brazilian sugar exporters in 2019 (values in tons)

| Período | Destino | NCM 1701 Açúcar | Total (em ton) |
|---------|--------------|-----------------|----------------|
| 2019 | ALGERIA | 1.956.151,00 | 1.956.151,00 |
| 2019 | SAUDI ARABIA | 1.654.162,18 | 1.654.162,18 |
| 2019 | BANGLADESH | 1.574.711,00 | 1.574.711,00 |
| 2019 | NIGERIA | 1.488.607,56 | 1.488.607,56 |
| 2019 | CHINA | 1.103.543,84 | 1.103.543,84 |

Coffee

Brazil set a new record for coffee exports in 2019, reaching 91.96 thousand tons, about 4 million 60 kg bags. This represents a 7% increase compared to 2018, when foreign sales reached 85.97 thousand tons, equivalent to 3.72 million bags.

Out of the 106 countries that bought Brazilian coffee, the United States leads the ranking, purchasing 17% of the total. In 2019, 15.3 thousand tons were acquired by the US compared to 14.8 thousand tons in 2018, an 3.1% increase, according to data from the Pesquisa Café Consortium, coordinated by Embrapa Café. The report was prepared by the Brazilian Coffee Industry Association (ABICS).

After the US, come Russia, Indonesia and Japan. However, when considering the sum of imports by European Union (EU) countries, the bloc takes second place, and registered significant growth of 22.9% last year.

Expansion: Other countries also recorded a significant increase in the purchase of Brazilian coffee. Indonesia – the fourth largest coffee producer in the world – increased imports by 2.9%, becoming the third largest destination for Brazilian exports. Myanmar increased its purchases by 61.4%. The highlight however was Mexico – the world's second largest coffee producer, second only to Brazil – which increased its imports of Brazilian coffee by about 315%.

According to the report, the expansion of Brazilian exports can be attributed, in part, to a regaining of markets that had been lost after Brazil could not service them in 2016 and 2017. At that time climate problems in the state of Espírito Santo led to a sharp drop in the production of conilon coffee.

Revenues Down: The record volumes exported in 2019 did not translate to increased revenue however, which saw a slight decrease. The US\$ 581.7 million represents a 3% fall compared to the US\$ 599.8 million registered the previous year. The fall was a direct consequence of low coffee prices in international markets over period analyzed by Embrapa Café.

Oil and gas

According to the director general of Brazil's National Agency of Petroleum, Natural Gas and Biofuels (ANP), Décio Oddone, the outbreak of the new coronavirus has not affected Brazilian exports of crude oil to China so far.

According to Reuters, Oddone acknowledged to journalists that expectations point to a drop in oil consumption by China. Restrictions on air, road and rail travel are expected to lower trade volumes in coming weeks. However, he stressed that he had no record of negative effects on Brazilian exports.

"We haven't seen one (impact) here yet ... I have no information from any company reporting difficulties in negotiating and selling oil to China," said Oddone, during the signing ceremony for bidding round contracts.

As much as 70% of all Petrobras exports go to China. Recently, the company's president, Roberto Castello Branco, also said the company was not affected by the coronavirus in terms of exports and sales.

Other cargo

Vale divulged on 11/02 that its iron ore production totaled 301.97 million tons in 2019, a 21.5% drop compared with 2018, caused by disruptions to production after the dam ruptured in Brumadinho (MG). Before the disaster, the company had expected to hit a production target of 400 million tons last year. Now, the company estimates that this goal will only be reached after 2022.

Due to the rupture of the dam in Brumadinho, Vale was forced to interrupt several activities in Minas Gerais, whilst operational safety standards were reviewed. According to the company, the drop in production was exacerbated by stronger than normal adverse climatic conditions in the first half of 2019.

The effect of the disruptions was partially offset by increased production at the S11D mine in Pará, – the largest in the company's history – a 14-million-ton reduction in inventories, and a gradual resumption of operations in some mines. As a result, iron ore sales in 2019 stood at 269.3 million tons, down 12.8% year-on-year. Pellet sales reached 43.199 million tons, down 23.7% from 2018.

In the fourth quarter, the mining company produced 78.344 million tons of iron ore, down 22.4% compared to the same period in 2018. Sales of the commodity totaled 77.9 million tons in the same time period, representing a drop of only 3.2% year-on-year.

Trade

Representatives from Brazil and Argentina signed an agreement last week to diversify agricultural trade between the two countries.

At the bilateral meeting, held in Brasília, Brazil's Ministry of Agriculture, Livestock and Supply (MAPA) and the National Service for Health and Agri-Food Quality of Argentina (Senasa) reiterated their willingness to work together in a close and coordinated manner.

One of the items on the agenda was Argentina's approval of the International Health Certificate (SCI) for Brazilian frog meat exports. Another item was the approval by Argentina of the International Animal Health Certificate (CZI) for exports of Brazilian swine semen.

Brazil approved the CZI for imports of Argentine breeding cattle. "Brazil and Argentina are committed, in the spirit of their friendly and important relationship in the agricultural field, to make every effort to ensure that any pending issues are resolved as quickly as possible", say the minutes of the meeting.

The two countries agreed that a business mission will be sent from Brazil to Argentina by July 10 to carry out maintenance audits for beef, dairy and fish industries. Within the same timeframe, Argentina will send a mission to Brazil to audit beef products and visit sites to discuss compartmentalization of poultry.

Brazil's trade balance registered a US\$1.166 billion surplus, and a total trade flow of US\$8.151 billion in the first week of February 2020, resulting from exports worth US\$4.656 billion and imports of US\$3.495 billion. This information was released on Monday (10/02) by the Foreign Trade Secretariat (Secex) of the government's economic department.

The cumulative total for the year to date is US\$19.096 billion in exports and US\$19.670 billion in imports, equalling a negative balance of US\$575 million and a total trade flow of US\$38.766 billion.

The following table shows the balance of trade data:

| Período | Dias Úteis | EXPORTAÇÃO | | IMPORTAÇÃO | | CORR. COMÉRCIO | | SALDO | |
|-------------------------------------|------------|------------|------------------|------------|------------------|----------------|------------------|--------|------------------|
| | | Valor | Média p/dia útil | Valor | Média p/dia útil | Valor | Média p/dia útil | Valor | Média p/dia útil |
| Fevereiro (até a 1ª semana) | 5 | 4.656 | 931,1 | 3.495 | 699,1 | 8.151 | 1.630,2 | 1.160 | 232,1 |
| 1a. semana (01 a 09) | 5 | 4.656 | 931,1 | 3.495 | 699,1 | 8.151 | 1.630,2 | 1.160 | 232,1 |
| Acumulado no ano | 27 | 19.096 | 707,2 | 19.670 | 728,5 | 38.766 | 1.435,8 | -575 | -21,3 |
| Janeiro | 22 | 14.440 | 656,4 | 16.175 | 735,2 | 30.615 | 1.391,6 | -1.735 | -78,9 |
| Fevereiro | 5 | 4.656 | 931,1 | 3.495 | 699,1 | 8.151 | 1.630,2 | 1.160 | 232,1 |
| Fevereiro/2019 | 20 | 15.737 | 786,9 | 12.622 | 631,1 | 28.359 | 1.418,0 | 3.116 | 155,8 |
| Janeiro/2020 | 22 | 14.440 | 656,4 | 16.175 | 735,2 | 30.615 | 1.391,6 | -1.735 | -78,9 |
| Var. % Fev-2020/Jan-2020 | | 18,3 | | 10,8 | | 15,0 | | -62,8 | -49,0 |
| Var. % Fev-2020/Jan-2020 | | 41,9 | | -4,9 | | 17,2 | | -166,9 | -394,2 |
| Jan-Fevereiro/2020(até a 1ª semana) | 27 | 19.096 | 707,2 | 19.670 | 728,5 | 38.766 | 1.435,8 | -575 | -21,3 |
| Jan-Fevereiro/2019(até a 1ª semana) | 23 | 19.070 | 829,1 | 17.002 | 739,2 | 36.072 | 1.568,3 | 2.068 | 89,9 |
| Var. % Jan/Fev-2020/2019 | | -14,7 | | -1,4 | | -8,5 | | -127,8 | -123,7 |

Fonte: Secretaria de Comércio Exterior (Ministério do Comércio Exterior)
Fevereiro/2020: 01 a 09; Janeiro/2020: 01 a 22; Janeiro/2020: 01 a 22

Analysis of the month

Average exports in the first week of February 2020 stood at US\$931.1 million, compared with US\$786.9 million in February 2019, signifying an 18.3% increase. This is due to increased sales in three product categories: basic goods up 19.4% from US\$ 397.0

million to US \$ 473.8 million; semi-manufactured goods up 32.8% from US\$97.7 million to US\$129.7 million, and manufactured goods increasing 12.1%), from US\$292.2 million to US\$327.6 million.

The daily average for imports in the first week of February 2020 was US\$ 699.1 million, up 10.8% year-on-year which equalled US\$ 631.1 million. The increase was seen mainly for pharmaceuticals (+ 39.8%), plastics (+ 15.8%), mechanical equipment (+ 11.7%), fuels and lubricants (+ 7.0%), and electronic equipment (+ 6.1%).

There was a 4.9% decrease in February compared with the previous month due to the decrease in purchases of aircraft and parts (-41.7%), steel (-11.5%), mechanical equipment (-11.5%), electronic equipment (-7.7%), optical and precision instruments (-7.0%).

Brazilian industry is starting to feel the effects of missing Chinese components. The coronavirus outbreak and the ensuing stoppage of many ports and industries in China has led to postponed shipments. China is Brazil's largest trading partner, and is responsible for 20% of all Brazilian imports.

A survey conducted by Abinee (Brazilian Association of the Electrical and Electronic Industry) shows that 52% of all manufacturers in the electric and electronic sector that were interviewed are already having difficulties in receiving materials and components from China.

This was observed mainly among manufacturers of Information Technology products (cell phones, computers, among others). The survey was carried out on February 5, and interviewed about 50 companies from different segments within the electric and electronic sector.

According to the survey, if the situation persists, 22% of companies surveyed indicated they would need to stop production of the final goods in the coming weeks. The lack of input components and materials from China makes it hard to continue to manufacture goods in the electronics sector.

Even those participants who have not yet been affected cited that if the supply of components from China does not return to normal within the next 20 days, it will be difficult to maintain the same pace of production in the coming months.

"We are very concerned with the impact this will have the sector's production and we continue to assess the situation closely," said the executive president of Abinee, Humberto Barbato.

A survey by Datamar shows that four maritime services are on the China-Brazil route. A total of 48 ships that access Brazilian ports bring imports from China.

According to Datamar's calculations, the impact on Brazilian exports and imports for each ship that fails to make the China-Brazil route is about 5,000 TEUs and 3,000 containers. The average travel time is 35 days.

It is worth remembering that China is the main source of imports of components for Brazil, totaling US\$ 7.5 billion in 2019, which represents 42% of the total. It is also noteworthy that other countries in Asia were responsible for 38% of imports of electrical and electronic components in 2019. Therefore, Asia represented 80% of Brazilian imports of electrical and electronic components.



ICR, including those produced under the maquila regime, for a period of seven years, in the case of Paraguay, and four years, in the case of Brazil.

Paraguay has also undertaken to exempt automotive products originating in Brazil from consular fees as of the eighth year of the Agreement.

The Agreement also establishes that each party will continue to apply the national tariffs currently in force for importing automotive products from third-parties, until agreement is reached, within the scope of Mercosur, for the implementation of the Common External Tariff (TEC) for products in the sector.

An Automotive Agreement between Brazil and Paraguay was signed on 11/2. It aims to provide greater legal stability and predictability to investments and bilateral trade in products in the sector.

On the same occasion, an Economic Complementation Agreement No. 74 (ACE-74) was signed between the two countries, an important milestone for further integration between Brazil and Paraguay, focussing on the economic-commercial agenda, enabling easier trade and customs procedures, within the current Mercosur framework.

Automotive Agreement - The Automotive Agreement will remain in force indefinitely until the automotive sector adapts to the general Mercosur regime. Under the agreement, Brazil will grant immediate free trade to Paraguayan automotive products. Paraguay, for its part, will grant immediate free trade to Brazilian automotive products taxed at tariffs between 0% and 2%. The sector will see full free trade at the end of 2022.

The Agreement establishes Specific Requirements of Origin for each automotive product, in line with conditions recently negotiated in the bilateral agreement with Argentina and in the agreement between Mercosur and the European Union. The Agreement also provides for preferential access conditions, with a reduced Regional Content Index (ICR), for a quota of cars.

Paraguayan auto parts produced under the maquila regime (special free tariff conditions), will have free access to the Brazilian market until December 31, 2023, provided that they comply with the Origin Requirements, with a minimum ICR of 50%. From 2024, access to Brazil will occur via quotas. Specific access conditions were also defined for auto parts with reduced

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